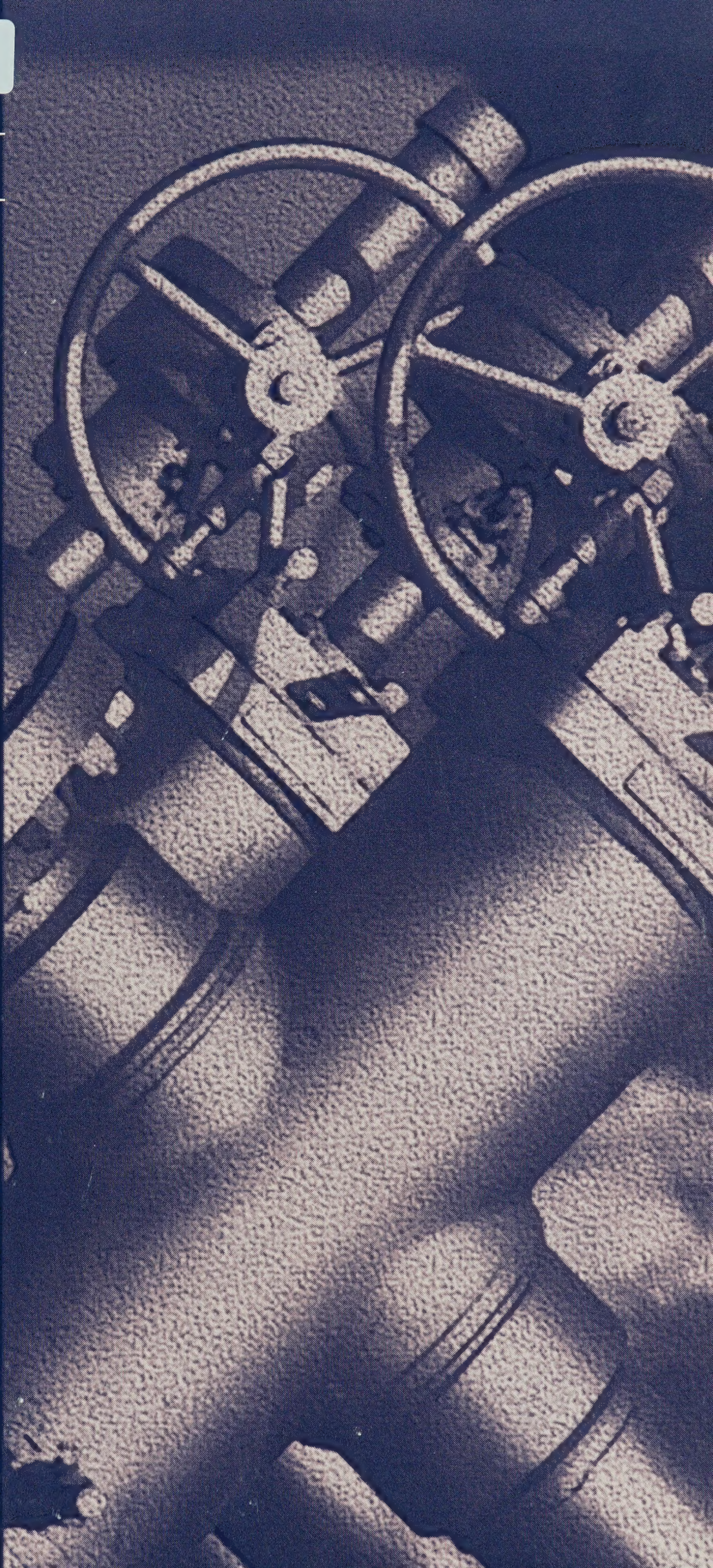
AR30

ORBIT OIL & GAS LTD.



CORPORATE PROFILE MAY 1993

Corporate Profile

Orbit Oil & Gas Ltd. is an independent Canadian energy company engaged in the exploration for, development and production of oil and natural gas. Orbit has a base of proved and prospective oil and natural gas properties in Alberta and Northeastern British Columbia.

Orbit conducts its operations jointly with two associated companies — The Czar Group. The companies jointly conduct exploration and development operations and share common management. The Joint Venture reduces overhead costs and increases the Group's "critical mass" and its ability to effectively compete in the industry.

Orbit's exploration and development strategy is to target natural gas in the Western Canadian basin. The Joint Venture will expand existing natural gas reserves in order to meet the natural gas reserve obligations of existing contracts and explore in areas where new contracts may be obtained.

The Joint Venture's natural gas marketing strategy is based on the development of a number of long-term contracts supplying gas to geographically diversified users with secure transportation arrangements.

Operating Strategy

Orbit operates pursuant to the following principal mandates:

- *FINANCIAL CONTROL*

  Orbit attempts to match its capital expenditures to funds flow from operations and equity financing. The only significant exception to this policy was a decision to finance the major expansion and development of the Helmet gas field.

- *GAS CONTRACT STRATEGY*

  One of the keys to Orbit's corporate strategy has been the acquisition of a portfolio of long-term development contracts. These contracts allow Orbit to develop a portion of the required reserves and production over a period of years and permit the acquisition, exploration and development of natural gas reserves to be undertaken and financed with assurance that the new reserves can be produced immediately and sold under satisfactory pricing terms and rates of production.

- *EXPLORATION JOINT VENTURES*

  The Company operates under a joint management and resource development structure with two associated companies — the Czar Group. This arrangement provides Orbit with lower overhead costs and the economic synergy of a larger financial and natural gas reserves base, which permit access to a wider range of business opportunities.

- *EXPLORATION FOCUS*

  Orbit concentrates its activities in specific geographic areas of the Western Canadian sedimentary basin, the Czar Group operates virtually all its prospects and Orbit participates for working interests as large as its joint venture arrangements and financial guidelines permit.

  The Company primarily explores in select areas where sizeable reserves can be developed and where the Company can build and control the production facilities and pipeline infrastructure.

Natural Gas Industry

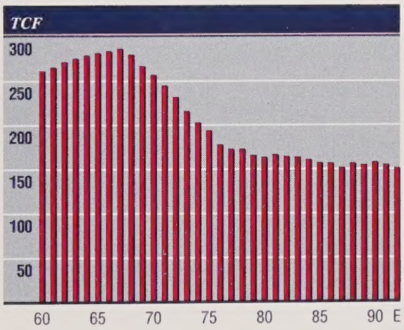
Orbit's business plan was developed on the premise that natural gas is a North American energy commodity in a mature phase of its development cycle, and that the United States natural gas supply is in an irreversible decline, a trend which would eventually result in a shortage and price recovery.

This has been demonstrated by the steady decline of natural gas reserves in the lower 48 United States since 1969. As a result, the reserve life index of natural gas in the lower 48 United States was reduced to approximately nine years by the end of 1992, the lowest ratio in more than a decade.

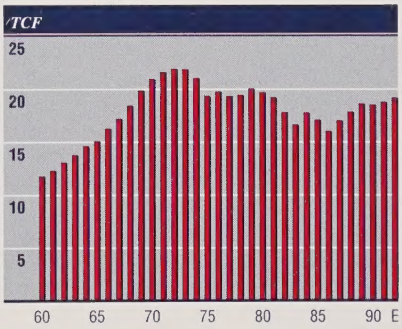
Another indicator that United States domestic gas supply has not kept pace with its growing demand is the increase in natural gas imports from Canada, from 750 billion cubic feet in 1986 to over two trillion cubic feet in 1992. During this period, Canadian imports have captured a steadily higher portion of the United States market, increasing from 4.6% in 1986 to over 10% of United States consumption in 1992.

With these positive fundamentals, it was therefore very surprising that U.S. gas prices collapsed in early 1992, with Gulf Coast spot prices reaching lows of $1.00 U.S./MCF. Due to the extremely depressed market, a number of major companies commenced shutting in production during this period of low prices. Shortly afterwards, the poor 1991 U.S. gas replacement statistics, debate regarding proration plans in Oklahoma and Texas and low gas storage levels combined to firm gas prices and stabilize the market as concerns were raised about available supply. Prices subsequently trended up to over $2.00 U.S./MCF, a level at which most shut in gas would have been placed back on stream. With gas prices having remained high during the 92-93 winter heating season, it now appears that the United States gas supply had approached a balance with demand, almost coincidentally with the price collapse in February 1992. It is now certain that the decade long gas commodity cycle has come full circle, and the natural gas bubble has burst!

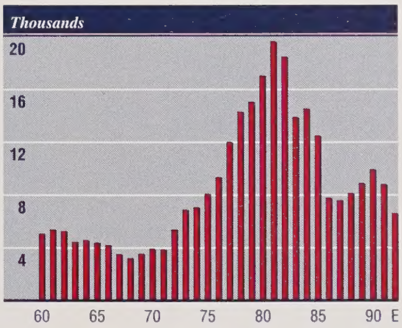
U.S. Gas Reserves
(Lower 48 States)



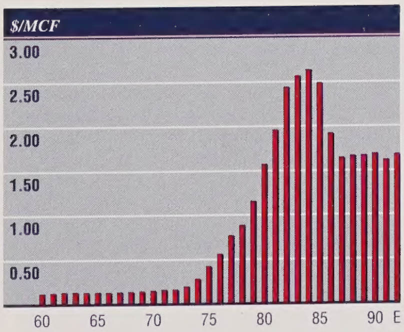
U.S. Natural Gas
Consumption



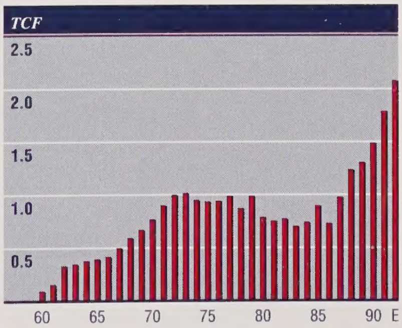
Gas Wells Drilled - U.S.



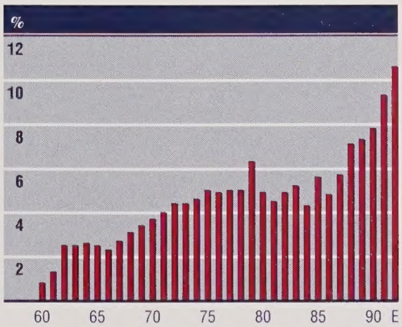
Wellhead Price - U.S.



Canadian Gas Exports



Canadian Share Of
U.S. Gas Market



Natural Gas Marketing

Corporate Objectives

Orbit's natural gas marketing objectives are as follows:

- *to market natural gas reserves at optimum prices and rates of take;*
- *to market natural gas to end users in geographically diversified locations, thereby reducing the Company's exposure to localized market fluctuations; and*
- *to search for new market opportunities with potential for high rates of take, attractive pricing, long-term outlets and opportunities to expand reserves and deliverability through the term of the contract.*

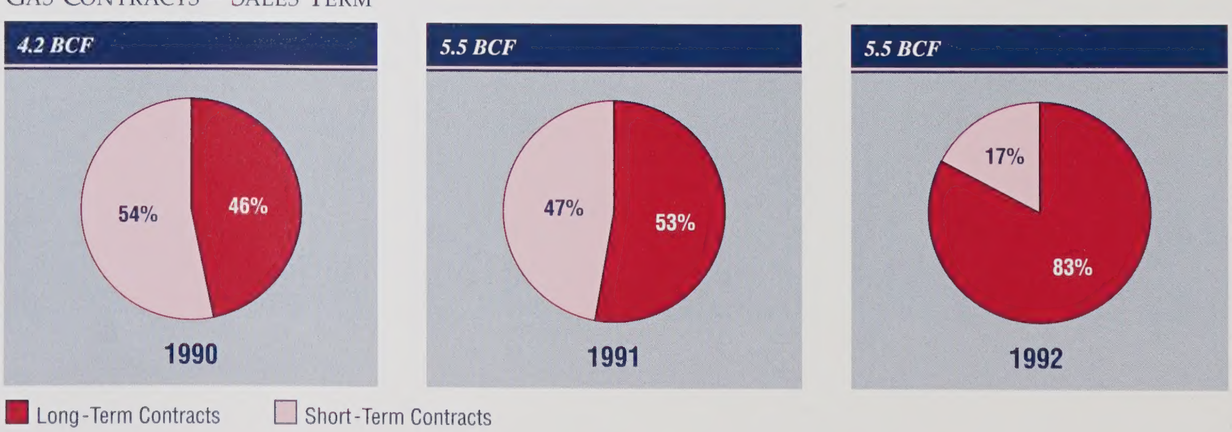
Long-term contracts have historically yielded higher prices than those available to spot markets in Alberta. While short-term prices have risen recently due to an Alberta deliverability shortage, it is anticipated that long-term contracts in which buyers and sellers trade off price for supply assurance and guaranteed pipeline capacity, should continue to yield higher prices and allow for better long-term planning based on predictable revenue streams. Orbit therefore plans to continue to expend a high proportion of available funding to acquire natural gas reserves and deliverability, to maintain and expand such contracts.

The portfolio of long-term contracts managed by the Czar Group totals in excess of 745 BCF of gross contracted reserves and includes the following key contracts:

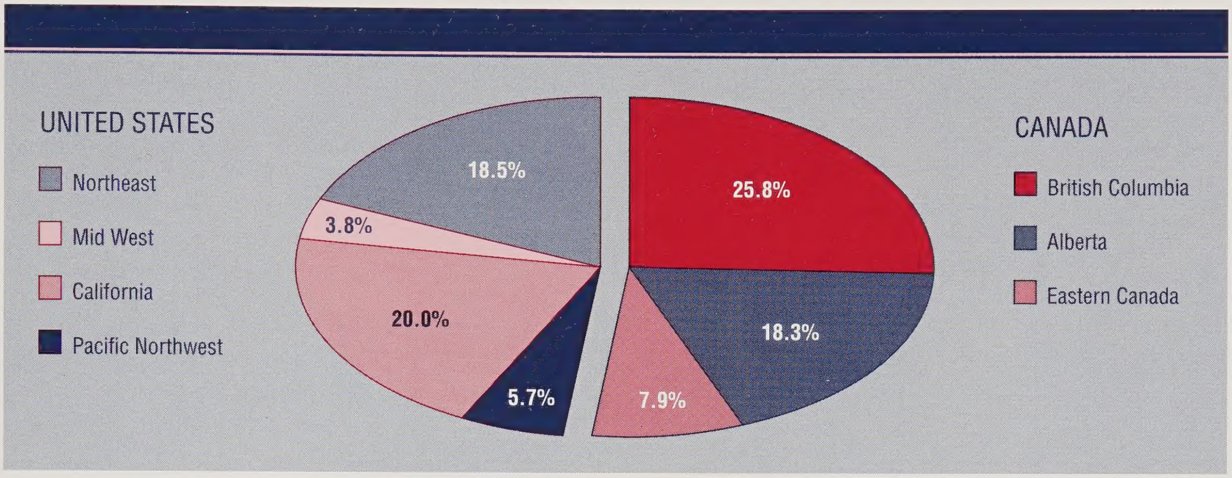
Natural Gas Contract Portfolio

			ORBIT'S NET PRODUCTION			
Purchaser	Gross Contract Reserves (BCF)	Gross Daily Contract Quantity, (DCQ) (MMCF/D)	1991 (MMCF/D)	1991 %	**1992 (MMCF/D)**	**1992 %**
British Columbia						
Alberta & Southern Gas Co. Ltd.	220.0	40.0	1.9	12.7	**2.9**	**19.3**
BC Gas Inc.	185.0	30.0	–	–	**2.9**	**19.3**
CanWest Gas Supply Inc.	105.0	28.0	0.7	4.7	**0.7**	**4.7**
Pacific Northern Gas	7.7	2.0	–	–	**0.2**	**1.3**
Alberta						
KannGaz Producers Ltd.	86.7	16.6	2.1	14.0	**2.6**	**17.4**
Unigas Corporation	40.0	10.8	0.6	4.0	**0.3**	**2.0**
ProGas Limited	51.5	9.0	0.2	1.3	**0.2**	**1.3**
Sherritt Fertilizer Company	50.0	16.0	1.1	7.3	**1.6**	**10.7**
Other Long-Term	–	–	0.5	3.3	**1.1**	**7.3**
Total Long-Term Sales	–	–	7.1	47.3	**12.5**	**83.3**
Total Short-Term Sales	–	–	7.9	52.7	**2.5**	**16.7**
Total Sales	745.9	152.4	15.0	100.0	**15.0**	**100.0**

Gas Contracts – Sales Term



Distribution Of Gas Sales – Year Ended December 31, 1992



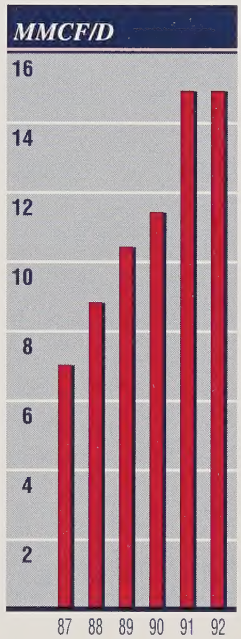
Production & Prices

In 1992, Orbit produced an average of 15 MMCF/D and 591 BBLS/D of oil and natural gas liquids. The average price Orbit received for natural gas increased from $1.30/MCF in 1991 to $1.43/MCF in 1992.

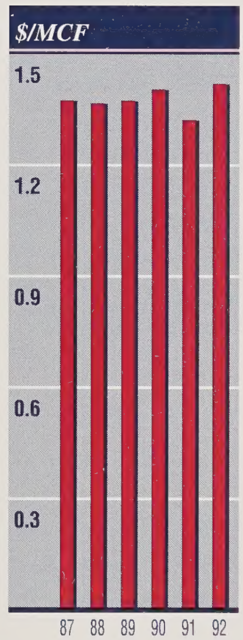
Natural gas prices fell sharply in February of 1992, however, a number of factors affecting U.S. supply, resulted in natural gas prices rebounding and escalated to the current level of approximately $2.30 U.S./MCF. This rebound will greatly affect Canadian gas prices in 1993.

Orbit's netback per equivalent MCF increased marginally in 1992, and is anticipated to increase substantially in 1993 as a result of higher natural gas prices and lower interest and dividend charges per equivalent MCF.

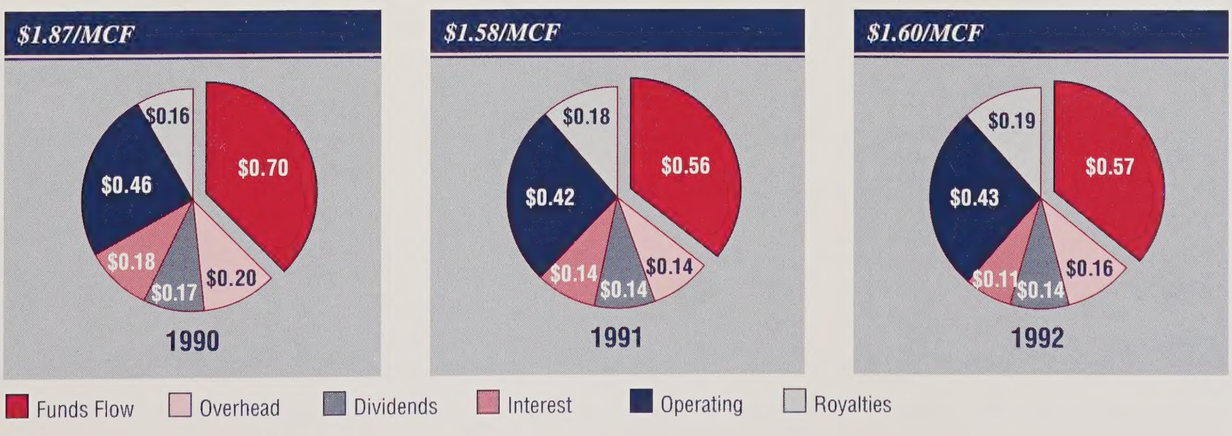
Gas Production



Orbit's Average Wellhead Price



Orbit's Netback Per Equivalent MCF

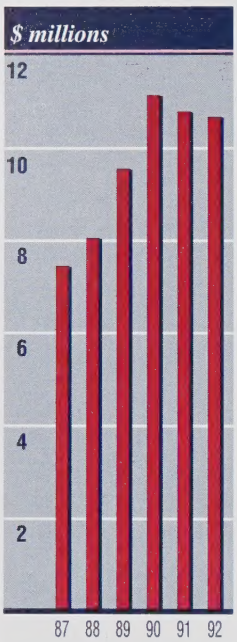


Financial Results

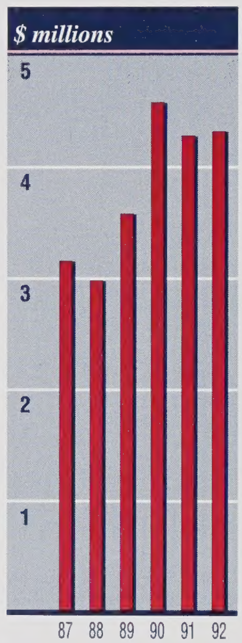
The Company's production revenues increased to $12.1 million in 1992 from $11.9 million in 1991, primarily due to higher natural gas prices. Cash expenses decreased modestly and Orbit's funds flow from operations remained unchanged at $5.4 million, or $0.22 per share, after dividends.

The Company's Financial Strength has been significantly improved by a recent common share issue, the proceeds of which were used to pay down the Company's bank debt, to the lowest level in five years. Consequently, fixed charge coverage from funds flow and debt repayability will improve markedly in 1993, to levels approximating Orbit's industry peer group.

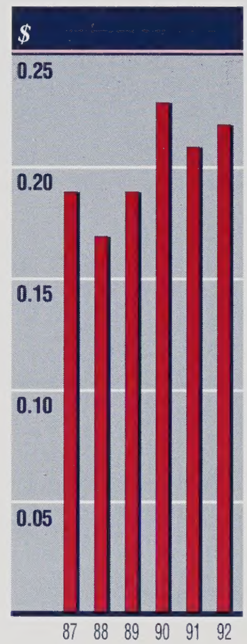
Total Revenue



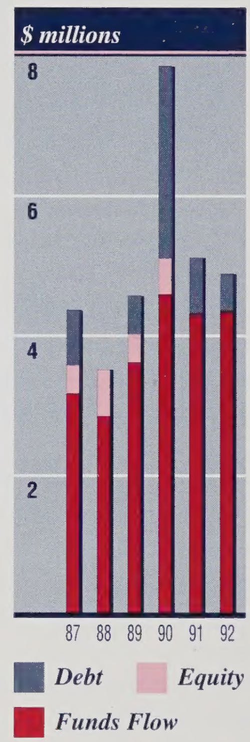
Funds Flow
(After Dividends)



Funds Flow
Per Share



Financing
Of Capital
Expenditures



Reserves

December 31, 1992

	Before Royalties		Estimated Present Value of Future Net Revenue (millions)	
	Natural Gas (BCF)	Oil & NGLs (MSTB)	10%	15%
Proved Producing	34.5	1,169.4	$31.9	$27.5
Proved Non-Producing	40.4	268.4	15.1	10.3
Total Proved	74.9	1,437.8	47.0	37.8
Probable	4.9	3.8	1.7	1.0
Total Proved and Probable	79.8	1,441.6	$48.7	$38.8

Undeveloped Land Holdings (net acres)

	1992	1991	1990
Alberta	**39,416**	55,290	42,342
British Columbia	**31,584**	20,618	28,869
Saskatchewan	**6,969**	2,421	1,468
Total	**77,969**	78,329	72,679

CAPITALIZATION

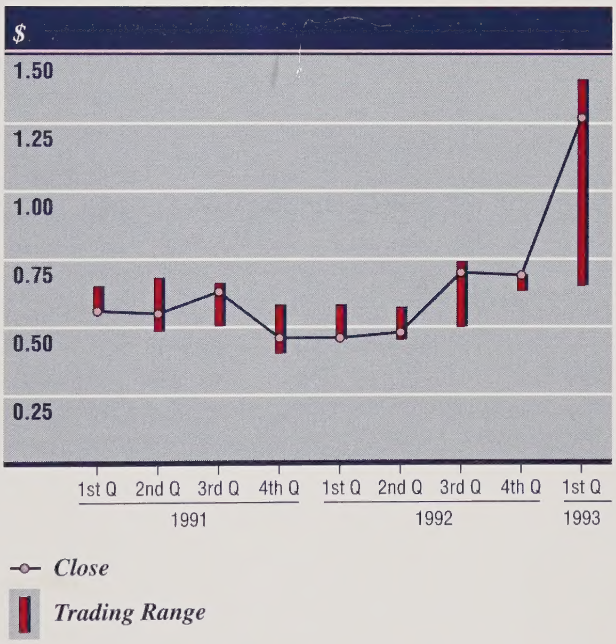
March 31, 1993

(thousands)	Shares	Proforma on Conversion of Special Warrants
Bank Indebtedness		$ 5,522
Capital Lease Obligation		$ 839
Preferred Shares		
Series 2	967	$ 9,413
Series 3	394	$ 3,622
Common Shares	23,542	$11,700

OPTIONS AND WARRANTS

	Expiry	Conversion or Exercise Price	Number of Shares (000)
Employee Options	Sept. 1994	$0.50	1,445
Warrants	Oct. 1994	$1.50	1,650
Conversion of Preferred Series 3	June 1993	$1.14	3,456

ORBIT SHARE TRADING HISTORY



Orbit's common shares are traded on the Toronto Stock Exchange under the symbol ORB.

SENSITIVITY ANALYSIS

Orbit's revenues are generated from the sale of oil and natural gas. Therefore, Orbit's revenue, funds flow from operations and earnings are sensitive to changes in oil and gas pricing and production volumes.

The Company has fixed the interest rate on $5 million of outstanding bank indebtedness for a period of five years at 8.62% and therefore has no current sensitivity to changes in interest rates.

The following table demonstrates the potential impact of changes in certain variables on Orbit's funds flow and earnings, based on current operating results.

Key Variable	Change in Variable	Impact on Annual Funds Flow $000	Impact on Annual Funds Flow $/Share[1]
Natural gas			
Production MMCF/D	1.0	$308	$0.01
Price $/MCF	$0.10	$635	$0.03
Oil and NGLs			
Production BBLS	100	$532	$0.02
Price $/BBL	$1.00	$192	$0.01

[1] *Per share calculations are based on outstanding shares at March 31, 1993, Proforma.*

Corporate Information

Board of Directors

Robert W. Lamond [1]
Chairman of the Board
President and Chief Executive Officer of the Company
Calgary, Alberta

Charles A. Teare
Executive Vice President and Chief Financial Officer of the Company
Calgary, Alberta

Donald M. Deacon
Independent Businessman
Charlottetown, P.E.I.

Ashley G. Down
Director
M & G Group PLC
London, England

Robert L. McPherson [1]
President of Cheetah Energy Limited
Calgary, Alberta

Edward R.R. Carruthers [1]
Partner, Milner Fenerty
Calgary, Alberta

[1] Audit Committee

Officers & Senior Personnel

Robert W. Lamond
Chairman, President and Chief Executive Officer

Charles A. Teare
Executive Vice President and Chief Financial Officer

P. Richard Ewacha
Vice President, Production

C. Steven Cohen
Corporate Secretary

Paul M. Boechler
Controller

Wayne T. Radcliffe
District Land Manager

Sharon P. Runge
District Land Manager

Herbert J. Visscher
District Exploration Manager

Donald K. Clark
Production Manager, British Columbia

Philip W. Payzant
Production Manager, Alberta

Kumar Mendis
Accounting Manager

M. Lucy Ionescu
Manager Reservoir Engineering

Michael C.L. Campbell
Assistant Secretary

Russ M. Sych
Senior Production Foreman
Alberta Production Operations

Warren M. Smith
Senior Production Foreman
British Columbia Production Operations

Corporate Office

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Tel: (403) 264-8900
Fax: (403) 262-5754

Legal Counsel

Burnet, Duckworth & Palmer
Calgary, Alberta

Auditors

Price Waterhouse
Calgary, Alberta

Bank

Bank of Montreal
Calgary, Alberta

Registrar & Transfer Agent

Montreal Trust of Canada
Calgary, Alberta

Reserve Engineering Consultants

Fekete Associates Inc.
Calgary, Alberta

Subsidiaries

Europa Oil & Gas Inc.
Calgary, Alberta

Stock Listings

The Toronto Stock Exchange
Trading Symbol
- Common ORB
- Preferred series 2 ORB.PRB
- Preferred series 3 ORB.PRC

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Consolidated Statements of Earnings and Retained Earnings

Six Months Ended June 30
(Unaudited)

(000's except per share information)		1993		1992
REVENUE				
Production (net of transportation)	$	7,268	$	5,572
Royalties		(1,094)		(833)
Alberta royalty tax credit		360		235
Other		131		122
Gain on sale of marketable securities		1,550		–
		8,215		5,096
EXPENSES				
Production		1,856		1,571
General and administrative		803		648
Interest on long-term debt		329		415
Depletion and depreciation		2,340		1,826
		5,328		4,460
NET EARNINGS		2,887		636
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF PERIOD		356		(20,273)
AUTHORIZED REDUCTION OF SHARE CAPITAL TO DEFICIT		–		20,273
PREFERRED SHARE DIVIDENDS		(517)		(545)
RETAINED EARNINGS AT END OF PERIOD	$	2,726	$	91
NET EARNINGS PER COMMON SHARE				
Basic	$	0.11	$	0.01
Fully diluted	$	0.10	$	0.01

Consolidated Statements of Cash Flow

Six Months Ended June 30
(Unaudited)

(000's except per share information)		1993		1992
CASH PROVIDED BY (USED FOR):				
OPERATING ACTIVITIES				
Net earnings	$	2,887	$	636
Non-cash items		790		1,826
Funds flow from operations		3,677		2,462
Change in non-cash working capital		(1,265)		122
		2,412		2,584
INVESTING ACTIVITIES				
Proceeds on sale of marketable securities		2,310		–
Purchase of marketable securities		(1,163)		–
Property, plant and equipment expenditures		(2,901)		(1,294)
Site restoration costs		(9)		(19)
		(1,763)		(1,313)
FINANCING ACTIVITIES				
Bank credit facility		(2,900)		(700)
Capital lease obligations		(169)		(130)
Issuance of common shares pursuant to:				
Issuance of special warrants (net of issue costs of 248)		3,321		–
Exercise of stock options		99		–
Conversion of preferred shares		3,296		–
Employee savings plan		39		38
Conversion of preferred shares		(3,296)		–
Redemption of preferred shares		(153)		–
Repurchase of common shares for cancellation		–		(27)
Preferred share dividends		(517)		(545)
Decrease in deferred revenue		(43)		–
		(323)		(1,364)
INCREASE (DECREASE) IN CASH		326		(93)
CASH AT BEGINNING OF PERIOD		15		99
CASH AT END OF PERIOD	$	341	$	6
FUNDS FLOW PER COMMON SHARE				
Basic	$	0.15	$	0.10
Adjusted basic and Fully diluted	$	0.14	$	0.10

Orbit Oil & Gas Ltd.
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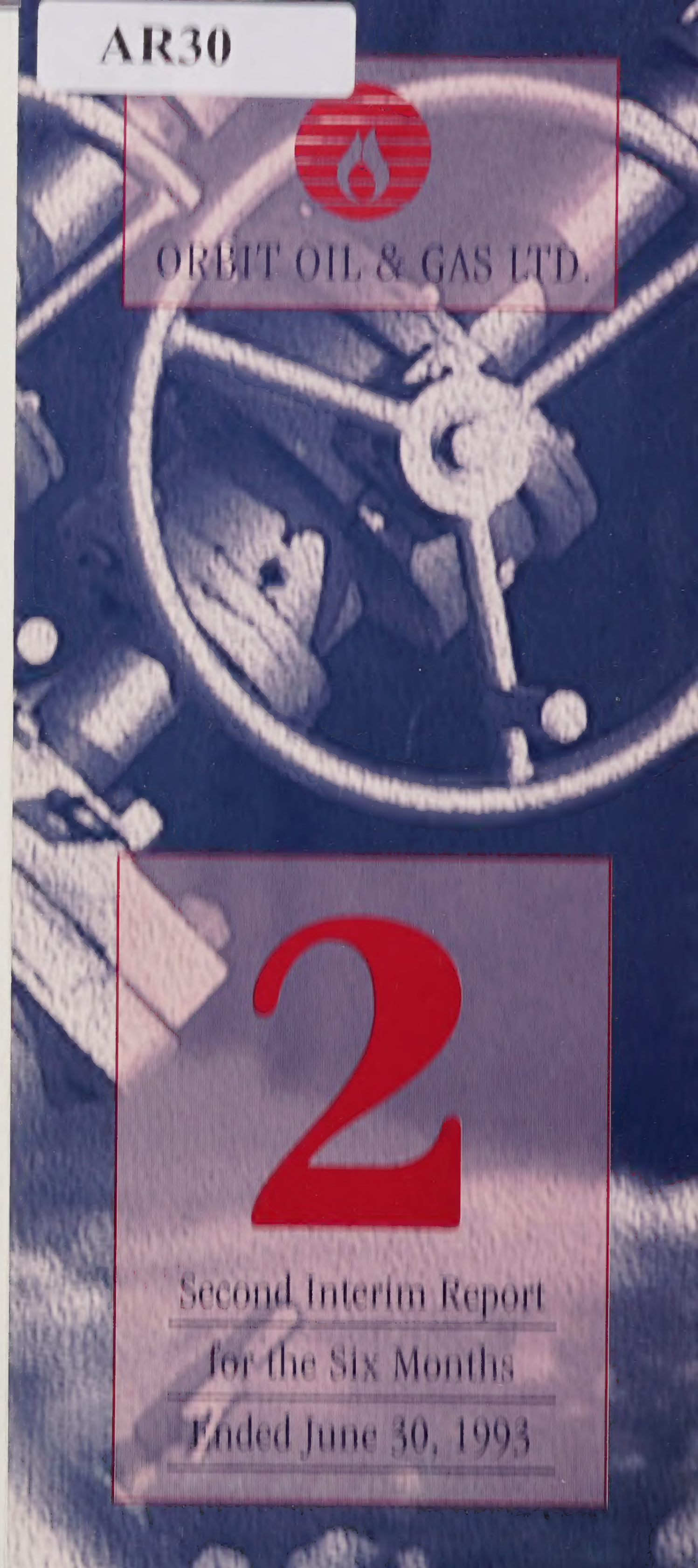

To The Shareholders

I am pleased to report record financial and operating results for the first half of 1993. In addition, subsequent to the end of June, Orbit completed a $1.1 million flow through share financing and continued to reduce its interest bearing debt. As a result of this financing and continued strength in natural gas prices, Orbit is in position to fully benefit from the substantially improved natural gas environment.

Highlights

(000's except per share information)	1993	Six Months Ended June 30 1992	1991
Total revenue	**$ 8,215**	$ 5,096	$ 5,411
Funds flow from operations	**$ 3,677**	$ 2,462	$ 2,661
Funds flow per share	**$ 0.15**	$ 0.10	$ 0.11
Net earnings	**$ 2,887**	$ 636	$ 302
Earnings per share	**$ 0.11**	$ 0.01	$ (0.01)
Capital expenditures	**$ 2,911**	$ 1,294	$ 2,771
Average common shares outstanding	**21,399**	19,886	20,058

Financial

Increased natural gas production and higher prices during the first six months of 1993 resulted in production revenue increasing significantly, to $6.7 million, 31% higher than the $5.1 million for the first six months of 1992. Total revenue was further increased as a result of a $1.5 million gain on sale of investments.

Higher revenues, before the gain on sale of investments, were primarily responsible for increasing funds flow from operations to a record $3.7 million, or $0.15 per share compared with $2.5 million, or $0.10 per share for the same period in 1992. The increased funds flow together with the gain on sale of investments resulted in increased earnings of $2.9 million, or $0.11 per share for the period, compared with $0.6 million, or $0.01 per share in 1992.

Orbit reduced its interest bearing debt and preferred share liabilities during the first half of 1993 with a series of equity financings. In April 1993, Orbit issued 3.3 million common shares and 1.65 million common share purchase warrants for a total consideration of $4.1 million. Subsequent to the end of the quarter Orbit agreed to issue a further 450,000 flow through common shares at a price of $2.45 per share for a total consideration of $1.1 million. In addition to these financings prior to the end of the quarter, 348,826 Series 3 preferred shares were converted into 3.1 million common shares reducing the Company's dividend obligations by approximately $300,000 per year. Consequently, lower interest and dividend costs will have a more significant effect on funds flow and earnings during the second half of 1993.

To June 30, 1993 Orbit had expended $2.9 million on fixed asset additions. As a result of improved financial ratios and increased funds flow from operations, the Company's capital expenditures budget has been increased to approximately $8 million for 1993.

Production

Production Summary

	1993	Six Months Ended June 30 1992	1991
Natural Gas (MMCF/D)	**19.3**	14.4	14.2
Oil (BBLS/D)	**433**	465	497
NGLs (BBLS/D)	**147**	128	129

The North American demand for natural gas during the first six months of 1993 continued to outpace available supply resulting in Orbit producing natural gas at significantly higher rates and prices than during 1992. The only limiting factors to production levels during the second quarter were restrictions in non-owned transportation systems and plant maintenance. Orbit's natural gas production for the first six months of 1993 increased to average 19.3 MMCF/D, compared with an average of 14.4 MMCF/D for the same period of 1992.

Product Prices

	1993	Six Months Ended June 30 1992	1991
Natural Gas ($/MCF)	**$ 1.58**	$ 1.38	$ 1.36
Oil ($/BBL)	**$ 20.79**	$ 19.73	$ 21.26
NGLs ($/BBL)	**$ 17.48**	$ 13.59	$ 15.42

During this period natural gas prices averaged $1.58/MCF, a 15% increase from the $1.38/MCF average price in 1992.

Increasing demand and reduced availability of long-term reliable natural gas supplies throughout North America has resulted in higher gas prices over the past year. As the industry is currently operating at close to deliverability rates, there is a high probability of sharp price hikes and some supply disruption during the winter heating season. As a result, current price negotiations for sales under Orbit's existing long-term contracts would indicate an average price increase of up to $0.50/MCF for the Company's winter gas sales.

Orbit's oil and natural gas liquid production averaged 580 BBLS/D compared with 593 BBLS/D in 1992. Production from wells at Pembina and Flatrock have replaced declines in production levels from other areas. Production is anticipated to increase throughout the remainder of 1993 due to the recent success in drilling oil wells in the Birch and Flatrock areas of British Columbia and the Gadsby area of Alberta.

Concerns regarding over-production by certain OPEC members has resulted in world oil prices weakening to the U.S. $18/BBL level. The effect of this decline in prices has been partly offset by a similar decline in the value of the Canadian dollar and as a result lower prices have had only a minor effect on Orbit's operating results for the period.

Exploration and Development

Drilling Results

	1993	Six Months Ended June 30 1992	1991
Gas wells	**0**	2	3
Oil wells	**5**	1	1
Dry holes	**3**	0	3
Total	**8**	3	7

The significant improvement in Orbit's financial condition together with an improved natural gas industry environment has resulted in the expansion of Orbit's exploration, development and acquisition program for 1993.

During the six months ended June 30, 1993 Orbit participated in drilling eight wells resulting in five oil wells and three dry holes. Subsequent to the end of the period Orbit participated in two additional oil wells, one gas well, one dry hole and has four wells currently drilling.

Orbit has recently been actively participating in a Baldonnel oil exploration and development program in the Birch area of Northeastern British Columbia, where new competitor wells with substantial initial production rates have been reported. Orbit participated for a 50% working interest in a horizontal oil well which is currently being evaluated with a second horizontal oil well currently drilling. In addition the Company participated in the drilling of two vertical exploratory wells to delineate the potential size of the reservoir. Orbit holds interest in 12,000 gross acres, 3,000 net, in the Birch area.

In the Flatrock Area of British Columbia, Orbit farmed out the drilling of one oil discovery and participated in a second follow up oil well. Orbit has a convertible overriding royalty interest in the discovery well and has a 15% working interest in the second well. The wells are currently producing at rates averaging 70 BBLS/D.

In the Gadsby area of Alberta, Orbit has participated in three Glauconite oil wells and one dry hole. A fifth well is currently drilling and up to four additional wells are planned for this year. Orbits holds a 11% interest in these wells.

Wells are currently drilling or planned on gas prospects in the Markerville, Wembley and Davey Lake areas of Alberta and the Fireweed, Airport and Siphon areas of British Columbia.

During the first six months of 1993, the Company added approximately 1.7 billion cubic feet of natural gas reserves through a number of acquisitions. Orbit plans to continue to expand its natural gas asset base through acquisitions, targeting large reserves of non-producing natural gas. To assist with this project the Company has recently appointed Eugene Wasylchuk to the position of Manager of Acquisitions and Divestitures.

Outlook

The outlook for the Canadian natural gas industry continues to remain very positive with prices remaining unusually strong throughout the summer months. As a result of recent equity financings, Orbit has achieved increased financial strength, the final element required to take advantage of current opportunities in natural gas. Orbit has a strong management team, technical expertise, a large natural gas reserve base and a diversified portfolio of natural gas contracts. This combination will enable the Company to demonstrate significant growth in the future.

On behalf of the Board of Directors.

R.W. Lamond
Chairman of the Board
August 19, 1993

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

SIX MONTHS ENDED JUNE 30, 1992
(UNAUDITED)

(in thousand of dollars except per share amounts)	**1992**	1991
REVENUE		
Production	**$ 6,003**	$ 6,564
Transportation	**(431)**	(516)
Royalties	**(833)**	(1,203)
Alberta royalty tax credit	**235**	375
Other	**122**	191
	5,096	5,411
EXPENSES		
Production	**1,571**	1,615
General and administrative	**648**	598
Interest on long-term debt	**415**	537
Depletion and depreciation	**1,826**	2,359
	4,460	5,109
NET EARNINGS	**636**	302
DEFICIT AT BEGINNING OF PERIOD	**(20,273)**	(9,022)
Authorized reduction of share capital to deficit	**20,273**	–
Preferred share dividends	**(545)**	(545)
RETAINED EARNINGS (DEFICIT) AT END OF PERIOD	**$ 91**	$ (9,265)
NET EARNINGS (LOSS) PER COMMON SHARE	**$ 0.01**	$ (0.01)

CONSOLIDATED STATEMENTS OF SOURCE AND USE OF CASH

SIX MONTHS ENDED JUNE 30, 1992
(UNAUDITED)

(in thousand of dollars except per share amounts)	**1992**	1991
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net earnings	**$ 636**	$ 302
Non-cash items	**1,826**	2,359
Funds flow from operations	**2,462**	2,661
Change in non-cash working capital	**122**	(1,450)
	2,584	1,211
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(1,294)**	(2,771)
FINANCING ACTIVITIES		
Abandonment costs	**(19)**	–
Capital lease obligations	**(130)**	(49)
Long-term bank debt	**(700)**	1,700
Issuance of common shares	**11**	26
Preferred share dividends	**(545)**	(545)
Decrease in deferred revenue	**–**	(4)
	(1,383)	1,128
DECREASE IN CASH	**(93)**	(432)
CASH AT BEGINNING OF PERIOD	**99**	991
CASH AT END OF PERIOD	**$ 6**	$ 559
FUNDS FLOW PER COMMON SHARE	**$ 0.10**	$ 0.11

Orbit Oil & Gas Ltd.
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Printed in Canada

TO THE SHAREHOLDERS

We are pleased to report financial and operating results for the six months ended June 30, 1992. Orbit reported slightly lower revenue, and funds flow from operations for the period as a result of lower oil production and prices. However the company is encouraged by the increase in natural gas production and prices during the first half of 1992.

Highlights

(000's except per share information)	**1992**	1991	1990
		Six Months Ended June 30	
Total revenue	**$ 5,096**	$ 5,411	$ 5,045
Funds flow from operations	**$ 2,462**	$ 2,661	$ 2,401
Funds flow per share	**$ 0.10**	$ 0.11	$ 0.09
Net earnings	**$ 636**	$ 302	$ 435
Earnings (loss) per share	**$ 0.01**	$ (0.01)	$ (0.01)
Capital expenditures	**$ 1,294**	$ 2,771	$ 3,549
Average common shares outstanding	**19,886**	20,058	19,848

FINANCIAL

Orbit's revenue for the first half of 1992 was $5.1 million compared with $5.4 million for the same period in 1991. Funds from operations for the period totalled $2.5 million, or $0.10 per common share, after preferred share dividends, compared with $2.7 million, or $0.11 per common share for the first half of 1991. Earnings for the period were $0.6 million, or $0.01 per common share, after preferred share dividends, compared with $0.3 million, or a loss of $0.01 per common share in 1991.

During the first half of 1992 Orbit maintained a conservative investment policy and reinvested $1.3 million, or 68% of funds generated from operations after preferred share dividends. During the period Orbit reduced its debt by $0.7 million.

PRODUCTION

Product Prices

	1992	1991	1990
		Six Months Ended June 30	
Natural Gas ($/MCF)	**$ 1.38**	$ 1.36	$ 1.54
Oil ($/BBL)	**$ 19.73**	$ 21.26	$ 21.87
NGLs ($/BBL)	**$ 13.59**	$ 15.42	$ 15.27

The demand for Canadian natural gas exports continued to be strong throughout the first half of 1992 and United States gas prices increased significantly. As a result of higher U.S. demand, the rates of take for Orbit's export contracts have remained high throughout the period. Consequently average gas price during the second quarter of 1992 increased to $1.36/MCF compared to $1.17/MCF during the second quarter of 1991. The average price received by Orbit during the first half of 1992 was $1.38/MCF compared with $1.36/MCF received in 1991. We are encouraged by the fact that the market for U.S. gas remains strong and shows every indication of remaining strong throughout the balance of 1992.

Oil and NGL prices remained relatively unchanged during the first half of 1992. However prices during the period were 10% lower than the average prices during the same period in 1991.

Production Summary

	1992	1991	1990
		Six Months Ended June 30	
Natural Gas (MMCF/D)	**14.4**	14.2	11.1
Oil (BBLS/D)	**465**	497	494
NGLs (BBLS/D)	**128**	129	166
Total liquids	**593**	626	660

Orbit's natural gas production for the period averaged 14.4 MMCF/D compared with 14.2 MMCF/D in 1991. Production from British Columbia accounted for 52% of the total gas produced during the period. The increase in Orbit's natural gas production during 1992 has not been as great as was anticipated. This primarily resulted from production declines in the Ante Creek gas pool in Northwestern Alberta where compression facilities will be required due to high line pressures.

Oil production from a recently completed well at Owl in Northeastern British Columbia, partially offset the production declines in Orbit's other properties. Oil production averaged 465 BBLS/D for the first half of 1992 compared with 497 BBLS/D for the same period in 1991 and NGLs remained unchanged at 128 BBLS/D.

EXPLORATION AND DEVELOPMENT ACTIVITY

Drilling Results

	1992	1991	1990
		Six Months Ended June 30	
Gas wells	**2**	3	8
Oil wells	**1**	1	1
Dry holes	**0**	3	1
Total	**3**	7	10

Orbit did not participate in any drilling activity during the second quarter.

During 1992 Orbit's corporate strategy is to focus the company's efforts on increasing natural gas reserves and production through property acquisitions to maximize the benefit of access to U.S. gas markets through long-term export contracts.

During the first half of 1992 Orbit completed three natural gas property acquisitions in Alberta. One of these properties included a producing well and wells on the other two properties are anticipated to be connected and producing by November of this year.

In August 1992 Orbit and its Joint Venture partners entered into an agreement to purchase additional natural gas reserves in the July Lake pool in the Helmet field in Northeastern British Columbia. The acquisition will be effective December 31, 1992 and will result in an expansion of the Helmet compression and gathering facilities, the connection of two additional wells and will increase the deliverability of the July Lake pool by 18 MMCF/D. Orbit's net cost to acquire 6.2 BCF of reserves and expand the system will be $1.4 million which is to be financed out of funds generated from operations.

A production sharing agreement with a new partner in the pool will allow the operator to manage the exploitation of the pool in the most efficient manner.

The acquisition and production sharing agreement will offset anticipated production declines and increase Orbit's share of production from the July Lake pool by an estimated 1.7 MMCF/D effective January 1, 1993.

Orbit will continue to review other opportunities to expand its asset base through property acquisitions.

OUTLOOK

Orbit's view that the natural gas industry is commencing a cycle of steady recovery has been reinforced by increasing U.S. natural gas demand and a rebound in natural gas prices during the first half of 1992. During the last six months, U.S. gas prices have steadily increased due to a variety of factors including: the need to restore gas storage volumes to seasonal levels; increased industrial demand; high air conditioning loads; growing electrical generation requirements; more responsive gas marketing by major producers; and the introduction of natural gas pro-rationing in several states. In addition, low 1991 reserve replacement rates and the very low level of U.S. gas exploration activity bodes well for an improved supply and demand balance. From a longer term perspective, it appears that a base has been established from which a steady recovery can be predicted.

While Orbit is committed to a conservative reinvestment program until economic conditions improve, we are confident that this improvement is at hand and that 1992 will prove to be a turning point in operating and financial results. Orbit's strategic portfolio of U.S. gas export contracts and its infrastructure of production facilities should enable the company to take full advantage of the pending upturn in the natural gas industry.

On behalf of the Board of Directors

R.W. Lamond
Chairman of the Board
August 20, 1992

C.A. Teare
President

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Six Months Ended June 30, 1991
(unaudited)

(in thousands of dollars except per share amounts)	**1991**	1990
REVENUE		
Production	**$ 6,239**	$ 5,722
Royalties	**(1,203)**	(1,079)
Alberta royalty tax credit	**375**	402
	5,411	5,045
EXPENSES		
Production	**1,615**	1,524
General and administrative	**598**	599
Interest on long-term debt	**537**	521
	2,750	2,644
CASH FLOW FROM OPERATIONS	**2,661**	2,401
Depletion and depreciation	**(2,360)**	(2,007)
Minority interest	**1**	41
NET EARNINGS	**302**	435
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF PERIOD	**(9,022)**	4,751
Preferred share dividends	**(545)**	(545)
RETAINED EARNINGS (DEFICIT) AT END OF PERIOD	**$(9,265)**	$ 4,641
PER COMMON SHARE		
Cash flow from operations	**$ 0.11**	$ 0.09
Net earnings (loss)	**$ (0.01)**	$ (0.01)

CONSOLIDATED STATEMENTS OF CASH FLOW

Six Months Ended June 30, 1991
(unaudited)

(in thousands of dollars)	**1991**	1990
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net earnings	**$ 302**	$ 435
Non-cash items	**2,359**	1,966
Cash flow from operations	**2,661**	2,401
Decrease in non-cash working capital	**(1,449)**	(136)
	1,212	2,265
INVESTMENT ACTIVITIES		
Acquisition of property, plant and equipment	**(2,771)**	(3,471)
Other assets	–	(78)
	(2,771)	(3,549)
FINANCING ACTIVITIES		
Capital lease obligations	**(49)**	–
Decrease in minority interest	**(1)**	180
Increase in long-term debt	**1,700**	2,100
Issue of common shares	**26**	462
Preferred share dividends	**(545)**	(545)
Decrease in deferred revenue	**(4)**	(9)
	1,127	2,188
INCREASE (DECREASE) IN CASH	**(432)**	904
NET CASH AT BEGINNING OF PERIOD	**991**	(306)
NET CASH AT END OF PERIOD	**$ 559**	$ 598

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Printed in Canada

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Orbit Oil & Gas Ltd.

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Interim Report
for the six months
ending June 30, 1991

Rec'd
Sept 10, 1991

TO THE SHAREHOLDERS

We are pleased to report the results of the Company's operations for the first half of 1991. During this period the Company set new records in both natural gas and oil production volumes and reported positive financial results despite both lower natural gas prices and the unsettled North American natural gas climate. While the Company anticipates similar results for the third quarter of 1991, the switch of a high proportion of natural gas sales from spot to long-term contract sales in the final quarter should enable the Company to close out this unsettled year on a positive footing.

Highlights

(000's except per share information)	**1991**	1990
Total revenue	**$5,411**	$5,045
Cash flow from operations	**$2,661**	$2,401
Cash flow per share	**$ 0.11**	$ 0.09
Net earnings	**$ 302**	$ 435
Earnings (loss) per share	**$ (0.01)**	$ (0.01)
Capital expenditures	**$2,771**	$3,549
Average common shares outstanding	**20,058**	19,848

Financial

Orbit's operating results for the first half of 1991 continue to improve despite the negative impact of declining natural gas prices throughout the period. Revenue for the period was $5.4 million compared with $5.0 million for the same period in 1990. Cash flow was $2.7 million or $0.11 per common share, compared with $2.4 million or $0.09 per common share in 1990.

Increased depletion expense resulted in earnings declining to $0.3 million, a loss of $0.01 per common share, after preferred share dividends, as compared with $0.4 million in 1990, also a loss of $0.01 per common share, after preferred share dividends.

Capital expenditures were reduced to $0.7 million in the second quarter compared with $2.1 million in the first quarter of 1991. The Company plans to continue to reduce its capital expenditures for the balance of the year in order to maintain a balance between cash flow and capital expenditures.

Production

With the completion of the Helmet gas gathering system expansion, Orbit increased its natural gas production to record levels in the second quarter averaging 15 MMCF/D for the quarter.

The increased deliverability from the Helmet area was developed for long-term contract requirements commencing in November, 1991. In the interim the majority of the increased sales were delivered under short term contracts, which were subject to a rapid decline in natural gas price during the second quarter of 1991. As a result increases in production revenue during the quarter did not match increases in production volumes.

Oil prices remained constant for the second quarter and appear to have stabilized in the $21 per barrel range.

Production Summary

	Six Months Ended June 30		
	1991	1990	1989
Natural Gas (MMCF/D)	**14.2**	11.1	10.8
Oil (BBLS/D)	**563**	494	493
NGLs (BBLS/D)	**129**	166	190
Total Liquids	**692**	660	683

Product Prices

	Six Months Ended June 30		
	1991	1990	1989
Natural Gas ($/MCF)	**$ 1.36**	$ 1.54	$ 1.37
Oil ($/BBL)	**$21.26**	$21.87	$20.40
NGLs ($/BBL)	**$15.42**	$15.27	$12.22

Exploration and Development

Orbit participated in one well during the second quarter, a gas well in the Drumheller area. The balance of the Company's capital expenditures program was used for the completion and acquisition of interest in various production facilities and the acquisition of prospective acreage and seismic in Alberta and Saskatchewan.

Normal Course Issuer Bid

Orbit believes the trading price of its common shares at the current time does not reflect the underlying value of the shares, taking into consideration the cash flow, earnings, asset value and financial structure of Orbit, compared with similar companies in the energy business.

Orbit has received approval from The Toronto Stock Exchange to make a normal course issuer bid allowing it to purchase up to 1,000,000 of its common shares, being approximately 5% of the outstanding common shares. The shares will be purchased on the open market through the facilities of The Toronto Stock Exchange pursuant to the rules of the Exchange governing normal course issuer bids. The price that Orbit will pay for any shares purchased by it will be the prevailing market price of such shares on The Toronto Stock Exchange at the time of such purchase. Purchases commenced on June 6, 1991 and will terminate on June 5, 1992 or such earlier time as the bid is completed or terminated at the option of Orbit.

To August 12, 1991, Orbit had purchased 62,500 common shares at prices ranging from 52 cents to 59 cents per share.

Copies of the Notice of Intention to Make a Normal Course Issuer Bid are available to shareholders, without charge, by contacting Mr. C.A. Teare at (403) 264-8900.

Drilling Results

	Six Months Ended June 30		
	1991	1990	1989
Gas wells	**3**	8	4
Oil wells	**1**	1	2
Dry holes	**3**	1	2
Total	**7**	10	8

Outlook

While Orbit is very concerned with the weak and unsettled nature of the natural gas market, the Company's current portfolio of contracts should enable a high level of sales with satisfactory pricing to resume after November 1, 1991.

Looking at the longer term, the impact of lower United States gas prices through 1991 has given rise to significant forces in the natural gas supply and demand equation. On the demand side, it is noteworthy that increases in natural gas use, especially in the industrial demand sector, have continued even during this period of recession. The high level of demand bodes well for even higher takes when the recession ends, and should also allow for a period of higher gas prices before inter-fuel switching recommences.

On the supply side, the current low gas prices are having an immediate negative impact on exploration activity in the United States. Consequently, drilling rig activity, offshore activity and other industry barometers are rapidly dropping and should give rise to a reduced level of gas replacement in the United States for this year.

In reviewing the foregoing factors, a reasonable case can be made that with either a modest level of economic recovery or a normal winter heating season, natural gas prices will recover in the medium term to the previously prevailing levels, resulting in a significant increase in profitability for companies with leverage to natural gas.

On behalf of the Board of Directors

R.W. Lamond
Chairman of the Board
August 22, 1991

C.A. Teare
President